

Message Text

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SUBJECT: MARKET RESEARCH REPORTS - ELECTRICAL ENERGY
SYSTEMS (EES) AND PUMPS, VALVES AND COMPRESSORS
(PVC). TRADE EXHIBITION - ENERGY AND FLUID
STRANSFER SYSTEMS

REFS: A) STATE A-1716, FEB 18, 72

B) JAKARTA 11546

C) SINGAPORE 4010

D) USDOC 14193

SUMMARY: MARKET RESEARCH REPORTS ON EES AND PVC HAVE BEEN
FORWARDED TO COMMERCE. NEITHER STUDY POINTS TO EXHIBITIONS
AS APPROPRIATE FORM OF PROMOTION THESE PRODUCTS. EMBASSY
EVALUATION OF REPORTS LEADS TO CONCLUSION THAT INSUFFICIENT
COMPETITIVE MARKET EXISTS TO JUSTIFY USE OF USG RESOURCES
TO STAGE TRADE EXHIBITION. HOWEVER, EMBASSY SUGGESTS
COMMERCE CONSIDER TECHNICAL SEMINAR. END SUMMARY.

1. IN EMBASSY VIEW, BOTH MARKET RESEARCH REPORTS MET
SPECIFICATIONS. THE FOLLOWING PARAGRAPHS HIGHLIGHT INFORMATION
RELATING TO PROPOSED SUBJECT TRADE EXHIBITION.

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2. EES MARKET RESEARCH REPORT BY MOBIUS DIVIDES THE MARKET INTO

THREE SECTORS: GOVERNMENT PUBLIC UTILITIES COMPANY (PLN); INDUSTRIAL END-USERS; AND QUOTE OTHER GOVERNMENT END QUOTE. ANALYSIS OF THE REPORT'S DATA SHOWS THAT ONLY THE PLN SECTOR IS GROWING. IMPORTS FOR QUOTE INDUSTRIAL END-USER END QUOTE SECTOR ARE PROJECTED TO REMAIN ESSENTIALLY LEVEL BETWEEN 1975-1979 AND SAME IS TRUE FOR THE QUOTE OTHER GOVERNMENT END QUOTE SECTOR. (HIGH COMPOUND ANNUAL AVERAGE GROWTH RATE FOR 1972-1979 SHOWN IN REPORT'S TABLE 1 FOR ALL SECTORS IN MISLEADING SINCE IMPORTS IN 1972 BASE YEAR WERE VERY LOW.)

B. THE REPORT POINTS OUT THAT THE PLAN USES 50 CYCLE, 220 VOLT EQUIPMENT AND PREFERS EUROPEAN TYPE TRANSMISSION AND DISTRIBUTION EQUIPMENT. WHILE THE PRIVATE SECTOR OFTEN USES 60 CYCLE, 110 VOLT SYSTEMS, THE REPORT PREDICTS THAT, OVER TIME, INDONESIA WILL STANDARDIZE ON 50 CYCLE, 220 VOLTS.

C. REPORTS REVEAL THAT CREDIT IS VERY IMPORTANT FACTOR IN SALES OF ELECTRICAL ENERGY EQUIPMENT IN INDONESIA. COMMENT: AS USAID, CURRENT ENERGY PROJECTS ARE COMPLETED, WITH USAID'S FOCUS CHANGED TO OTHER TYPES OF PROGRAMS AND WITH EXIM'S RELATIVELY HARD TERMS RECOMPETING FOREIGN NATIONAL EXPORT FINANCING AGENCIES, WE ANTICIPATE THAT THE U.S. SHARE OF THE PLN SECTOR WILL DECLINE EXCEPT WHERE U.S. TECHNOLOGY OR DELIVERY TIME OVERCOME GOI'S RELUCTANCE TO USE EXIM.

D. LARGE PORTIONS OF THE QUOTE INDUSTRIAL END-USER END QUOTE SECTOR CONSIST OF THE PETROLEUM INDUSTRY, WHICH IS DOMINATED BY U.S. FIRMS. REPORT POINTS OUT THAT THESE FIRMS TEND TO PURCHASE EQUIPMENT IN THE U.S. OFTEN THROUGH THEIR HOME OFFICES.

E. OTHER POINTS MADE IN THE REPORT INCLUDE: MAJOR PROJECTS ARE A MAJOR INFLUENCE ON THE VALUE AND SOURCING OF SALES; CREDIT IS THE SINGLE MOST IMPORTANT FACTOR IN DETERMINING SOURCING OF POWER EQUIPMENT, FOLLOWED BY DELIVERY TIME AND AFTER SALES SERVICE.

F. IN SUGGESTING POSSIBLE PROMOTIONAL TECHNIQUES APPROPRIATE FOR THE INDONESIAN MARKET, THE REPORT DOES NOT MENTION TRADE EXHIBITIONS. IT DOES HOWEVER RECOMMEND THAT QUOTE TRADE PROMOTION SHOULD INCLUDE SEMINAR...DESIGNED TO INFLUENCE KEY MEMBERS OF PLN..END QUOTE. MOBIUS FOUND QUOTE CONSIDERABLE INTEREST IN TECHNICAL SEMINARS REGARDING POWER PLANT INSTALLATION AND MAINTENANCE UNQUOTE.

G. EMBASSY COMMENT: THE PLN SECTOR, WHILE GROWING, IS INCLINED TOWARD EUROPEAN EQUIPMENT AND LARGELY DEPENDENT FOR THAT UNCLASSIFIED

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EQUIPMENT ON TIED FINANCING FROM THE SOURCE COUNTRY. THE PRIVATE SECTOR, WHERE PURCHASES ARE PROJECTED TO REMAIN ALMOST LEVEL OVER THE 1975-79 PERIOD, IS DOMINATED BY US PETROLEUM COMPANIES WHOSE IMPORTS TEND TO BE FROM THE U.S. THEREFORE, THE SEGMENT OF THE MARKET THAT IS OPEN TO COMPETITION IS NOT LARGE. FURTHERMORE, GE AND WESTINGHOUSE, THE MAJOR U.S. SUPPLIERS TO INDONESIA HAVE ACTIVE REPRESENTATIVES HERE.

3. MARKET RESEARCH REPORT ON PVC BY INDONESIA RESEARCH AND DEVELOPMENT COMPANY PROJECTS THT IN 1977, SEVENTY-FIVE PERCENT OF ALL ALES WILL BE TO THE PETROLEUM INDUSTRY AND RELATED MAJOR PROJECTS. THE REPORT STATES THAT U.S. PRODUCTS ARE SOLD TO HIGHLY SOPHISTICATED BUYERS ON THE BASIS OF RELIABILITY AND QUALITY, NATIONALITY (AGAIN NOTING THT THE PETOEUM INDSTRY IS DOMINTED BY THE U.S. COMPANIES) AND PRICE. U.S. PRODUCTS THAT ARE MOST COMPETITIVE ARE THOSE WITH HIGH ENGINEERING CONTENT, WHILE FOR LOW TECHNOLOGY ITEMS, SUCHA AS HAND PUMPS, U.S. SUPPLIERS ARE NOT COMPETITIVE. THE REPORT RECOMMENDS SPECIFICALLY AGAINST TRADE EXHIBITIONS AS AN APPROPRIATE TRADE TOOL FOR PROMOTIONS U.S. PVC EXPORTS, CONCLUDING THAT TRADE MISSIONS AND CATALOG SHOWS ARE LIEKLY TO BE MORE EFFECTIVE IN THIS FIELD.

B. EMBASSY COMMENT: EVEN MORE THAN IN THE EES FIELD, THE REPORT INDICATES THT SALES OF PVC ARE DEPENDENT UPON THE PETROLEUM INDUSTRY WITH ITS PROCLIVITY FOR US SOURCING AND ON MAJOR PROJECTS, WHOSE FINANCING IS EITHER TIED OR FROM SUCH SOURCES AS THE WORLD BANGK OF THE ABD WHICH USE INTERNATIONAL BIDDING.

4. CONCLUSION: THE MARKET RESEARCH DOES NOT JUSTIFY A TRADE EXHIBITION. WE RECOMMEND THAT THE ENERGY AND FLUID TRANSFER SYSTEMS SHOW PROPOSED FOR APRIL 1976 BE CONCELLED, BUT WE ENDORSE MOBIUS RECOMMENDATION FOR TECHNICAL SEMINAR. COMMERCE MAY WISH CONSIDER WHEN AND IF SUCH SEMINAR FEASIBLE.
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